



Government of the District of Columbia
Department of Insurance, Securities and Banking

Stephen C. Taylor
Commissioner

BEFORE THE
INSURANCE COMMISSIONER OF
THE DISTRICT OF COLUMBIA

Re: Report on Examination – **DuBois Medical Risk Retention Group** as of December 31, 2017

ORDER

In accord with the authority established by D.C. Official Code § 31-1402, an examination of **DuBois Medical Risk Retention Group** (the “Company”), as of December 31, 2017 has been conducted by the District of Columbia Department of Insurance, Securities and Banking (“Department”). The Department reported on the financial condition of the Company in the attached Report on Examination (“Financial Condition Examination Report”).

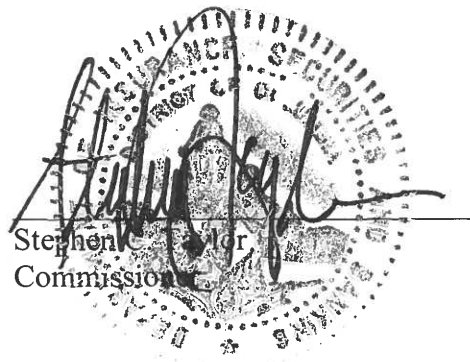
In accord with the provisions of D.C. Official Code § 31-1404(c), it is hereby ordered, on this 18th day of June, 2019, that the attached Financial Condition Examination Report be adopted and filed as an official record of the Department.

In addition, it is hereby ordered that the Company comply with the recommendations in the attached financial condition examination report.

Pursuant to D.C. Official Code § 31-1404(d)(1), this Order is considered a final administrative decision, and may be appealed.

Pursuant to D.C. Official Code § 31-1404(d)(1), the Company shall, within 30 days of the issuance of the adopted Financial Condition Examination Report, file affidavits executed by each of the Directors of the Company wherein each of the Directors shall state under oath that they have received a copy of the adopted Financial Condition Examination Report and this order.

Pursuant to D.C. Official Code § 31-1404(e)(1), the Department will continue to hold the content of the above-referenced report as private and confidential information for a period of 10 days from the date of this Order.



GOVERNMENT OF THE DISTRICT OF COLUMBIA

DEPARTMENT OF INSURANCE, SECURITIES AND BANKING



REPORT ON EXAMINATION

DUBOIS MEDICAL RISK RETENTION GROUP

AS OF

DECEMBER 31, 2017

NAIC NUMBER 11842

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Washington, D.C.
April 2, 2019

Honorable Stephen C. Taylor
Commissioner
Department of Insurance, Securities and Banking
Government of the District of Columbia
1050 First Street, NE, Suite 801
Washington, D.C. 20002

Dear Commissioner Taylor:

In accordance with Section 31-3931.14 of the District of Columbia Official Code (“Code”), and with Chapter 14 of Title 31 of the Code, we have examined the financial condition and activities of

DuBois Medical Risk Retention Group

hereinafter referred to as the “Company” or “DuBois”.

SCOPE OF EXAMINATION

This full-scope examination, covering the period from January 1, 2013 through December 31, 2017, including any material transactions and/or events noted occurring subsequent to December 31, 2017, was conducted by the District of Columbia Department of Insurance, Securities and Banking (the “Department”).

We conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook (“Handbook”) and the policies and standards established by the Department. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Generally Accepted Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This examination report includes significant findings of fact, pursuant to Section 31-1404(a) of the District of Columbia Official Code and general information about the insurer and its

financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but are separately communicated to other regulators and/or the Company.

The Company was audited annually by an independent public accounting firm. The firm expressed unqualified opinions on the Company's financial statements for the calendar years 2013 through 2017. We placed substantial reliance on the audited financial statements for calendar years 2013 through 2016, and consequently performed only minimal testing for those periods. We concentrated our examination efforts on the year ended December 31, 2017. We obtained and reviewed the working papers prepared by the independent public accounting firm related to the audit for the year ended December 31, 2017. We placed reliance on the work of the auditor and directed our efforts, to the extent practical, to those areas not covered by the firm's work papers.

SUMMARY OF SIGNIFICANT FINDINGS

The results of this examination disclosed no material adverse findings, significant findings of non-compliance, or material changes in financial statements.

STATUS OF PRIOR EXAMINATION FINDINGS

A full scope financial examination was conducted by the Department as of December 31, 2012, which covered the period January 1, 2008 through December 31, 2012. There were no material adverse findings, significant findings of non-compliance, or material changes in financial statements.

HISTORY

General:

DuBois was licensed as an association captive insurance company under the captive laws of the District of Columbia on September 5, 2003, operating as a risk retention group, and commenced business on the same day. The Company was organized for the purpose of enabling the DuBois Regional Medical Center ("DRMC") and related entities to access the state of Pennsylvania's MCare program, which provides excess medical malpractice coverage to Pennsylvania entities that insure primary layers of medical malpractice coverage with qualified insurers, which include risk retention groups.

Membership:

The Company is authorized to issue Class A and Class B membership certificates in accordance with the Company's articles of incorporation. DRMC is the sole member holding the Class A voting and participating certificates. Four other entities hold the Class B limited voting, non-participating certificates. All of these entities, except for the Free Medical Clinic of DuBois, are wholly or majority owned by DRMC.

The Company does not have a shareholder subscription agreement since only one entity owns the voting and participating certificates. Class A and Class B membership certificates have a \$100 par value. The Company has 3,000 Class A certificates authorized with 2,000 issued and outstanding at December 31, 2017. The Company also has 1,000 Class B certificates authorized with 70 issued and outstanding at December 31, 2017. The Company records the Class B shares as “Preferred stock”.

Dividends and Distributions:

The Company did not declare or pay any dividends or other distributions during the period under examination.

MANAGEMENT AND CONTROL

Board of Directors and Officers:

The Company’s directors serving as of December 31, 2017 were as follows:

<u>Name and State of Residence</u>	<u>Principal Occupation</u>
Steven M. Fontaine, Chair Pennsylvania	Chief Executive Officer Penn Highlands Healthcare
Brian S. Kline Pennsylvania	Chief Financial Officer Penn Highlands DuBois
Mark A. Norman Pennsylvania	Chief Operating Officer Penn Highlands Healthcare
John S. Sutika Pennsylvania	President Penn Highlands DuBois
Gregory J. Volpe Pennsylvania	Director Penn Highlands Healthcare

The Company’s officers serving as of December 31, 2017 were as follows:

<u>Name</u>	<u>Position</u>
John S. Sutika	President
Brian S. Kline	Treasurer
Tarun K. Ghosh	Secretary
Mark A. Norman	Vice President
Gregory J. Volpe	Risk Manager

Committees:

As of December 31, 2017, the Company's board of directors had established the following committee:

Audit Committee:

Lisa M. Zocco, Chair	Travis L. Millinder
Russell E. Cameron, M.D.	Mark A. Norman
Raymond E. Donati	Julie Peer
Joyce R. Fairman	Richard L. Pfingstler
Steven M. Fontaine	Michelle C. Smith
Jason W. Dotson	John S. Sutika
Rose M. Campbell	Anthony Viglione
Tarun K. Ghosh	Edward V. Yahner
Brian S. Kline	William H. Young
Sally A. Moran	

Investment Committee:

Scott H. Foradora	Richard L. Pfingstler
James D. Curtis	Gerry M. Radomsky
Judy A. Gromley	JoAnne Ryan
Ronald F. King	William E. Wood
Robert W. O'Leary	Steven M. Fontaine
Robert A. Ordiway	

Conflicts of Interest:

In compliance with the D.C. Municipal Regulations (DCMR), conflict of interest statements are to be completed annually by all directors, officers, and key employees. Our review of the conflict of interest statements for 2013 through 2017 disclosed there were no conflicts of interest reported that would adversely impact the Company. However, the Company was unable to provide a signed conflict of interest statement for one (1) director and officer for the year 2016, and one (1) director and officer for the year 2017. We discussed this situation with the Company during the examination. Management indicated they recognized the importance of maintaining compliance with the DCMR and indicated improved record-keeping procedures would be implemented to ensure all required conflict of interest statements would be available for review upon request by the Department.

Corporate Records:

We reviewed the minutes of the meetings of the board of directors and members for the period under examination. Based on our review, it appears that the minutes have documented the review and approval of the Company's significant transactions and events.

Captive Manager:

Intercorp, Inc. (Intercorp) has been the Company's captive manager since June 1, 2013. Intercorp manages the Company's daily business operations under a captive management agreement, providing services including regulatory compliance and other management services.

Affiliated Parties and Transactions:

The Company pays DRMC, which holds all of the Class A voting certificates, for administrative expenses, including accounting, information technology, and policyholder services, pursuant to an administrative services agreement. During 2017, the Company paid DRMC \$12,000 for services under this agreement. All premium revenue is derived from DRMC and its related entities. The Company's board of directors consists of officers and directors of DRMC.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2017, the Company was licensed in the District of Columbia and was registered as a risk retention group in Pennsylvania. One hundred percent (100%) of the Company's written premium of \$1,133,718 in 2017 was in Pennsylvania.

The Company writes one annual policy which offers claims-made institutional medical malpractice coverage to DRMC and related entities. The policy includes coverage of \$500,000 per occurrence and \$2,500,000 in the aggregate to its controlling member, DRMC, and related entities, and \$1,000,000 per occurrence and \$3,000,000 in the aggregate for licensed physician assistants, certified registered nurse practitioners, and occupational therapists. In addition, the Company offers commercial general liability coverage to DRMC and related entities on an occurrence basis with limits of \$1,000,000 per occurrence and \$1,000,000 in the aggregate.

The Company also provides stop-loss coverage to Penn Highlands Healthcare for employee health insurance coverage. This policy provides coverage of \$1,300,000 for claims in excess of \$500,000 with an annual aggregate limit of \$1,800,000.

The Company has no employees and its daily business operations are managed by its controlling member, DRMC, in DuBois, Pennsylvania. During the period of examination, the Company's captive manager, Intercorp, managed the Company's accounting, record retention, regulatory compliance and other management services in Washington, D.C. Claim administration, risk management and consulting services are provided by Inservco Insurance Services, Inc. in Harrisburg, Pennsylvania.

REINSURANCE

With the Department's approval, the Company has not maintained reinsurance coverage for either the institutional medical malpractice or the general liability coverage, since inception.

FINANCIAL STATEMENTS

The following financial statements are based on the Annual Statement filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2017. The financial statements were prepared in accordance with Generally Accepted Accounting Principles (“GAAP”) prescribed or permitted by the Department. Management is responsible for the preparation and fair presentation of these financial statements. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

<u>STATEMENT</u>	<u>PAGE</u>
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BALANCE SHEET

ASSETS

	<i>December 31, 2017</i>
Bonds	\$ 8,900,167
Common stocks	3,047,334
Cash and cash equivalents	<u>1,104,771</u>
Subtotal cash and invested assets	\$ 13,052,272
Investment income due and accrued	41,586
Aggregate write-ins for other than invested assets: Prepays	72,730
Total	<u><u>\$ 13,166,588</u></u>

LIABILITIES, SURPLUS AND OTHER FUNDS

	<i>December 31, 2017</i>
Losses (NOTE 1)	\$ 2,687,566
Loss adjustment expenses (NOTE 1)	163,932
Other expenses	59,980
Taxes, licenses and fees	34,385
Unearned premium	<u>700,972</u>
Total liabilities	<u>\$ 3,646,835</u>
Common capital stock	\$ 200,000
Preferred capital stock	7,000
Gross paid-in and contributed surplus	2,130,000
Unassigned funds (surplus)	<u>7,182,753</u>
Surplus as regards policyholders	<u>\$ 9,519,753</u>
Total	<u><u>\$ 13,166,588</u></u>

STATEMENT OF INCOME

	<i>December 31, 2017</i>
UNDERWRITING INCOME	
Premiums earned	\$ 1,064,920
DEDUCTIONS	
Losses incurred	1,013,429
Loss adjustment expenses incurred	346,966
Other underwriting expenses	264,975
Total underwriting expenses	\$ 1,625,370
Underwriting loss	\$ (560,450)
INVESTMENT INCOME	
Net investment income earned	\$ 322,360
Net realized capital gains	27,582
Net investment gain	\$ 349,942
Net loss before dividends and taxes	\$ (210,508)
Federal taxes	(38,781)
Net loss	\$ <u>(171,727)</u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2012	\$ 6,373,825
Net income, 2013	1,813,161
Change in net unrealized capital gains (losses)	<u>(340,883)</u>
Net change in surplus as regards policyholders, 2013	<u>1,472,278</u>
Surplus as regards policyholders, December 31, 2013	<u>7,846,103</u>
Net income, 2014	420,704
Change in net unrealized capital gains (losses)	<u>15,369</u>
Net change in surplus as regards policyholders, 2014	<u>436,073</u>
Surplus as regards policyholders, December 31, 2014	<u>8,282,176</u>
Net income, 2015	1,056,978
Change in net unrealized capital gains (losses)	<u>(261,040)</u>
Net change in surplus as regards policyholders, 2015	<u>795,938</u>
Surplus as regards policyholders, December 31, 2015	<u>9,078,114</u>
Net income, 2016	266,008
Change in net unrealized capital gains (losses)	<u>168,591</u>
Net change in surplus as regards policyholders, 2016	<u>434,599</u>
Surplus as regards policyholders, December 31, 2016	<u>9,512,713</u>
Net loss, 2017	(171,727)
Change in net unrealized capital gains (losses)	<u>178,767</u>
Net change in surplus as regards policyholders, 2017	<u>7,040</u>
Surplus as regards policyholders, December 31, 2017	<u><u>\$ 9,519,753</u></u>

ANALYSIS OF EXAMINATION CHANGES TO SURPLUS

There were no changes to the Company's surplus as a result of our examination.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Loss and Loss Adjustment Expense Reserves:

The Company reported “Losses” and “Loss adjustment expenses” reserves totaling \$2,687,566 and \$163,932, respectively. These reserves represent management’s best estimate of the amounts necessary to pay all claims and related expenses that have been incurred but are still unpaid as of December 31, 2017.

The methodologies utilized by the Company to compute reserves, and the adequacy of the loss and loss adjustment expense reserves as of December 31, 2017 were reviewed as part of our examination. As part of our review, we relied on the Company’s actuary, who concluded that the reserves on the Company’s books appeared to be sufficient. In addition, as part of our review, the Department utilized an examination actuary to review the methods employed, assumptions relied upon, and conclusions reached by the Company’s actuary. The examination actuary concluded that the methodologies and assumptions utilized by the Company’s independent actuary to compute the reserves, and the amount of the loss reserves reported by the Company as of December 31, 2017, were reasonable and adequate.

SUBSEQUENT EVENTS

We noted no significant subsequent events as of the date of this report.

SUMMARY OF RECOMMENDATIONS

During the examination, no issues warranting recommendations in this examination report were noted.

SIGNATURES

In addition to the undersigned, the following personnel from EWM Group, PC, representing the Department, participated in this examination as members of the examination team: Thomas L. Mayberry, CFE, Paul Sliwinski, ARe, and Christopher C. Davis.

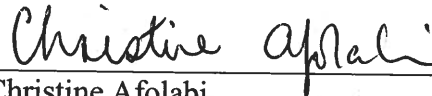
The actuarial portion of this examination was completed by David A. Christhlf, ACAS, MAAA, of the District of Columbia Department of Insurance, Securities and Banking.

Respectfully submitted,



Philip D. Engelhart, CFE
Examiner-In-Charge
EWM Group, PC

Under the Supervision of,



Christine Afolabi
Supervising Examiner
District of Columbia Department of Insurance,
Securities and Banking



Government of the District of Columbia
Department of Insurance, Securities and Banking

Stephen C. Taylor
Commissioner

May 10, 2019

Steven M. Fontaine, President
DuBois Medical Risk Retention Group
c/o InterCorp Inc.
1438-F West Main Street
Ephrata, PA 17522-1345

RE: Examination of **DuBois Medical Risk Retention Group**, as of December 31, 2017

Dear Mr. Fontaine:

Pursuant to the provisions of Section 31-1404 of the D.C. Official Code, enclosed is a draft copy of the Report on Examination ("Report") of the affairs and financial condition of DuBois Medical Risk Retention Group (the "Company") as of December 31, 2017.

Please submit, to my attention, a written response calling attention to any errors or omissions. In addition, if this Report contains a section entitled "Summary of Recommendations" that discloses certain areas requiring action, the Company shall submit a statement covering the corrective measures which will be taken. If the Company's position on any of these points is contrary to the Examiner's findings, an explanation should be submitted covering each contested comment and/or recommendation.

If there are no errors or omissions to be brought to our attention, and there is no "Summary of Recommendations" requiring a response, please submit a statement that the Company accepts the Report.

The response must be in writing and shall be furnished to this Department by May 31, 2019. The signed response should be on company's letterhead and sent electronically via e-mail to me, in an adobe "pdf" format, to sean.odonnell@dc.gov.

Sincerely,

Sean O'Donnell
Director of Financial Examination,
Risk Finance Bureau

Enclosure

DuBois Medical Risk Retention Group

1200 G. St. NW Suite 800

Washington D.C. 2005

May 28, 2019

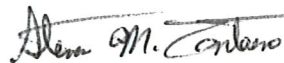
Government of District of Columbia
Department of Insurance, Securities and Banking
Attn: Sen O'Donnell
Director of Financial Examination
Risk Finance Bureau
1050 First Street, NE Suite 801
Washington DC 20002

Mr. O'Donnell,

DuBois Medical Risk Retention Group has received the Examination report for the period ending December 31, 2017. The Company accepts the report as it stands. It was a pleasure to work with the EWM group who conducted the examination. They were very thorough, but fair and reasonable.

We also thank you and the Department of Insurance, Securities and Banking for being an ongoing resource and partner in helping us to best manage the company.

Sincerely,



Steven F. Fontaine
President

Cc: Scott Barry



Government of the District of Columbia
Department of Insurance, Securities and Banking

Stephen C. Taylor
Commissioner

May 28, 2019

Steven M. Fontaine, President
DuBois Medical Risk Retention Group
C/o InterCorp Inc.
1438-F West Main Street
Ephrata, PA 17522-1345

RE: Examination of **DuBois Medical Risk Retention Group** as of December 31, 2017

Dear Mr. Fontaine:

We are in receipt of your response, dated May 28, 2019, regarding the Report on Examination of DuBois Medical Risk Retention Group, (the "Company"), as of December 31, 2017. The response is deemed adequate.

The adopted Report (which includes a copy of this letter), and the Order evidencing such adoption are enclosed. Pursuant to Section 31-1404(e)(1) of the District of Columbia Official Code, the adopted Report will be held private and confidential for a period of 10 days from the date of the Order evidencing such adoption. After this 10-day period has passed, the Report will be publicly available.

Pursuant to Section 31-1404(d)(1) of the District of Columbia Official Code, within 30 days of the date of the above-mentioned Order, affidavits executed by each of the Company's directors stating under oath that he or she has received a copy of the adopted examination Report and related Order shall be filed with this Department. Please send these affidavits to my attention at the Department.

Please contact me at 202-442-8153 if you have any questions.

Sincerely,

Sean O'Donnell
Director of Financial Examination
Risk Finance Bureau

Enclosures